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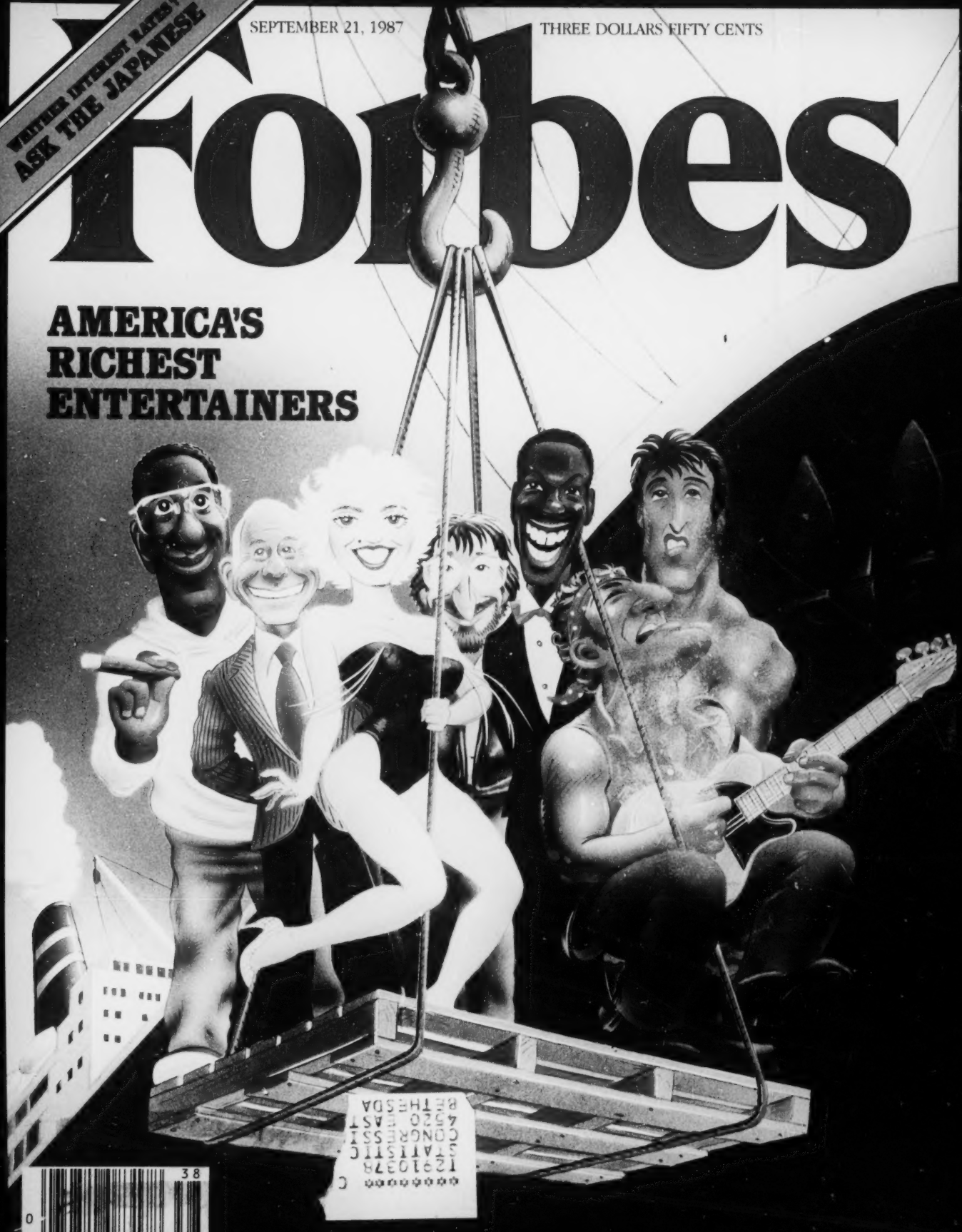
## AMERICA'S RICHEST ENTERTAINERS



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**SEPTEMBER 21, 1987**
**VOLUME 140**
**NUMBER 6**

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# Readers Say

## Bork bashing

SIR: Good thinking conservatives are taking the wrong tack toward the Bork nomination "Bork bashers beware" (*Fact and Comment II, Aug. 10*). It's the liberals who should endorse Bork. The whole concept of judicial restraint is alien to the separation of powers and particularly in that the Supreme Court was viewed by Madison and the others as the primary constraint on government growth. The executive and legislative branches are constantly generating new interventions and it was the Supreme Court that was designed to check what Jefferson called the "natural progress of government to gain ground."
*—Edward H. Crane*
*President,*
*Cato Institute*
*Washington, D.C.*

SIR: I believe you're searching for any rationalization to explain the failures of our government. Please cancel my subscription.
*—Kara L. Gordon*
*New York, N.Y.*

## Unmasked

SIR: I hardly recognized me in your "Freewheeling" article (*Aug. 10*). But there I was: an anticompetitive, barnacled utility monopolist. I have long advocated competitive free markets for bulk power supplies in the electric utility market.

Furthermore, Dominion Energy is ready, willing and able to compete—now—in a competitive market, without waiting for the elusive and ephemeral "freewheeling" that would temporarily benefit but a few.
*—William W. Berry*
*Chairman,*
*Dominion Resources*
*Richmond, Va.*

## Corporate trash

SIR: It amazes me that America's corporate giants are so disinterested in waste disposal technology (*Fact and Comment, Aug. 10*). There are entrepreneurial people who lust after this immense potential market. Unfortunately, none of these entrepreneurs work for major companies with the capital resources to tackle the legal tangle. The big fellows are scared of organized environmental groups and a Congress that hasn't yet discovered a pork barrel issue in the actual disposal of waste, but has discovered reelection money in talk about waste disposal.

Find me a cash-rich company with courage and I will show you files heavy with useful waste disposal technology.
*—Thomas French Norton*
*Annapolis, Md.*

SIR: As soon as a solution to such problems has been worked out by a corporation, some congressmen would start tacking amendments on to every available bill, hobbling the technology. Others would be looking at new tax measures to insure that no such technology would benefit the corporation that paid for it.

There is very little encouragement for corporations to invest in such beneficial technology. They are much smarter to play it safe.
*—William R. Tillery*
*Birmingham, Ala.*

SIR: The Resource Conservation and Recovery Act and its progeny, RCRA Jr., spell out the law in intricate detail. The law specifies fines and jail terms for violators. Jail terms? While many CEOs can put shareholder money at risk, few want to put their personal freedom at risk. Even organized crime, with its alleged experience in refuse collection, would undoubtedly find the increased exposure unsettling. This says nothing of the potential for civil liability claims, should a problem occur. What deep-pockets company wants to be a defendant in a hazardous wastes suit before a jury of the plaintiff's peers?
*—Lanny Tonning*
*Albuquerque, N.M.*

SIR: Let us nominate a Lee Iacocca or a Ross Perot for "Waste Converter, USA."
*—Richard W. Laurie*
*Weston, Mass.*

## Funds survey

SIR: Your Sept. 7 issue on mutual funds contains two errors.

Assets of Putnam High Income Government Trust increased 198% in the past 12 months, to $11.2 billion

on June 30, 1987.

Putnam California Tax Exempt Income Fund and Putnam Tax Exempt Income Fund do not have 12b-1 plans as indicated under the column labeled "Annual expenses per $100."

*—Lisbeth W. Chapman*
*Public Relations Coordinator,*
*The Putnam Cos.*
*Boston, Mass.*

*Because of a programming error, footnotes to expense figures on tables other than for stock funds and money market funds were in error.*—ED.

## Jet lag

SIR: We agree with your assertion *(Fact and Comment II, July 27)* that the Federal Aviation Administration has not kept up with the explosive growth in air traffic. We further concede that a responsive system does rise to meet demand, rather than attempt to shrink demand to meet the system.

But total privatization?

To render such a vital function to the simple dictates of profitability must be considered unwise.

*—Edward F. Mullin*
*National Air Traffic Controllers Association*
*Washington, D.C.*

SIR: If you believe we should privatize the Air Traffic Control function, you surely have to believe in privatizing the Postal Service. The money that is wasted by the FAA must be a mere drop in the bucket when compared with the post office.

*—Duncan McRae*
*Shreveport, La.*

SIR: Re your editorial on airport congestion. You neglected to mention one great remedy: the restoration of the long-distance trains and Pullman cars.

*—Horace S. Mazet*
*Carmel, Calif.*

## Left, U.S. educated

SIR: You reported *(Fact and Comment, Aug. 24)* on your conversation with Chancellor Kohl and his desire to greatly increase the interchange of students. I hope you reminded the Chancellor that we have two European heads of state who were educated in the U.S.: Papandreou of Greece and Mitterrand of France.

*—Leonard Linsley*
*Oreland, Pa.*


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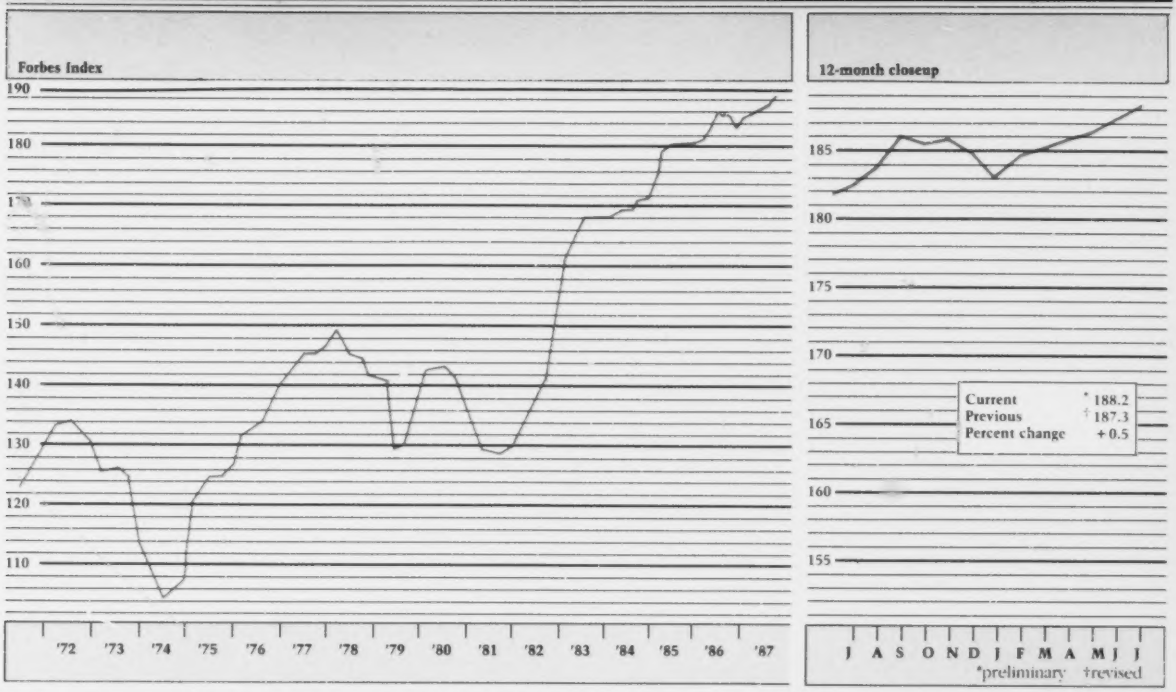
# The Forbes Index



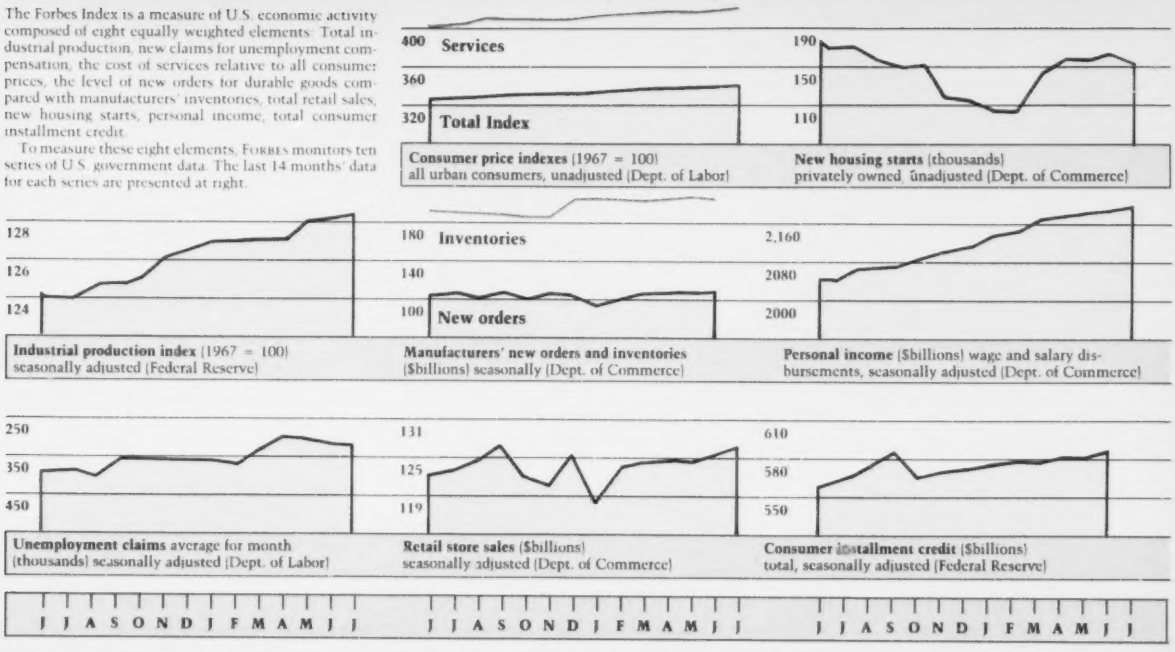

**Slower growth and higher costs.** Despite a mild slowdown in economic growth, rebounding energy prices have boosted the cost of living. Through the first seven months of this year, for example, The Forbes Index has gone up 2% and inflation has increased 2.9%, vs. increases of 2.3% and 0.2%, respectively, over the same period in 1986.

During the most recent reporting period, The Forbes Index jumped 0.5%. Two components pushed the Index up: The ratio of the cost of services to the overall Consumer Price Index rose 0.2% in July, while personal income went up 0.3%, to an annual rate of $2,205 billion. Higher interest rates, meanwhile, have put a crimp in new housing starts. The 12-month total fell 1%, as new starts were only 155,100 in July, compared with 172,000 a year ago.

## The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


400
Services
360
320
Total Index
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
190
150
110
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
128
126
124
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
180
Inventories
140
100
New orders
Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)
2,160
2080
2000
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
131
125
119
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
610
580
550
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
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*Bill Cosby will make maybe $100 million this year. Why do top entertainers earn so much more than corporate executives and Wall Street dealmakers? Could it be that the stars of entertainment are worth more to the American economy?*

# The fault is not in our stars

**By Allan Dodds Frank with Jason Zweig**

AMERICA'S TOP-GROSSING executive last year was Chrysler's Lee Iacocca, who earned just short of $21 million, stock options included. A handful of other executives earned more than $5 million. But all these numbers were dwarfed by people in entertainment. FORBES figures that ten entertainers annually are earning $20 million or more. Bill Cosby, if you credit the discounted present value of his syndication rights from this year's 28 episodes, will make nearly $100 million in 1987.

The top ten for 1986-87:

Bill Cosby, Sylvester Stallone, Bruce Springsteen, Charles Schulz, Eddie Murphy, Steven Spielberg, Madonna, Whitney Houston, Michael Jackson and Johnny Carson. These people are more than entertainers. They are businesses.

By FORBES' reckoning, another score of entertainers earned $10 million or more in 1986 or 1987, and in each of the last four years at least one lucky star exceeded $50 million. In short, almost a dozen entertainers earned as much as or more than the highest-paid executive in the country. These aren't hard, audited figures, of course, but they are in the ballpark—based on royalty and residual yardsticks, concert attendance figures and informed guesses. We omitted executives and the owners of entertainment companies that are publicly traded or financed. They have been covered widely elsewhere.

Bill Cosby takes home the most bacon among the entertainers. We estimate that the amiable comedian's income this year will total $57 million—without residual values and without counting his investment in things like a television station in Florida and a Coca-Cola bottler in New York. Cosby, a prodigious worker, reaches 63 million Americans a week with the nation's most popular television series, *The Cosby Show*.

Cosby's a growth business. This year's take will probably double last year's. The big difference is $28 million advanced for syndication of his show for airing in 1988, after the episodes have been played by NBC.

Cosby owns no steel mills or computer companies, no office buildings or investment firms, but he holds title to a vast trove of intangible wealth. Syndication rights to his TV show—he owns 50%—will be making money for him for years to come, swelling his annual take. FORBES estimates that by 1992 Cosby will have taken in at least $180 million from syndication of a minimum of 75 episodes. If Cosby continues to rack up earnings like this, he is all but certain to be the first entertainer to become a billionaire.

**Eddie Murphy's *Beverly Hills Cop* and *Beverly Hills Cop II* proved he is Hollywood's biggest star. He should be good for $27 million in earnings in 1987.**

Like anyone in a market economy, Cosby, Murphy, Stallone, Madonna and Springsteen aren't making all this money just because they are nice folks. They are getting paid for creating wealth.

How do entertainers create wealth? It's very simple: Whether 100 million people see a movie or only 1 million do, the costs are about the same; ditto with TV shows, records or concerts. So the entertainer who can increase the draw is worth in an economic sense every penny he or she earns, because the marginal money is almost all profit to the producer. To the degree a star enhances the value of an entertainment property, he or she has the bargaining power to insist on a good piece of that marginal revenue.

Consider what a successful

show can do for the company that makes it or the network that runs it. Propelled by *The Cosby Show,* NBC has won the ratings wars for the last two seasons. NBC's hold on number one stems in great part from Cosby's power to draw viewers for programs in adjacent time slots. That "halo effect" means higher ad revenue across the board. The network, now part of General Electric, could earn more than $400 million this year, up from $156 million the year before *Cosby* began airing in 1984.

Cosby is creating wealth for Coca-Cola, too. He is starring in *Leonard: Part VI,* a movie scheduled for Christmas release by Coca-Cola's Columbia Pictures. We asked Cosby whether *Leonard* will boost Coke's stock price. Said he: "I am [Coke President] Don Keough's friend, and I promised him it would, and I do mean that." If Cosby's film delivers just a 1-point boost, it will add close to $400 million to the market value of the soft drink company; 2½ points would be worth a cool $1 billion, give or take a few million.

We asked William Paley, the venerable CBS chairman, if CBS had made $50 million on *Thriller,* Michael Jackson's 1982 album on CBS' Epic label. Paley smiled. "You're low, way low." No wonder CBS didn't mind paying Jackson around $50 million in royalties.

It should surprise no one that Wall Street is looking for some of this action. A record company executive claims Smith Barney has been exploring ways to take part of the Michael Jackson empire public. There's also talk of taking Johnny Carson public. Merv Griffin, the ex-talk-show host who created *Wheel of Fortune* and *Jeopardy,* sold his company in 1986 to Coca-Cola for $200 million, while retaining a hefty share of the profits. (Griffin isn't on our list because he sold out to a public company, but he netted about $80 million last year from his retained share of syndication revenues. He tells FORBES he's scouting for America's first "black prime-time game show host breakthrough.")

Is it any wonder that the bidding for star power sometimes gets dirty? Eddie Murphy is a prime asset at Paramount Pictures. In an interview with FORBES, the head of a rival studio archly declared: "Off the record, Eddie Murphy is the last slave in Hollywood." What he meant was: If Murphy's people will contact me, maybe we can give him a better deal. The sly executive was hoping that if Murphy read this remark, he'd get mad enough to break with Paramount. It was worth a shot, but it got nowhere. Paramount last month wrote a new deal with Murphy, who has all the nerve he needs. When Chrysler asked the comedian to be its new pitchman, Murphy said sure, but not for less than $10 million. Lee Iacocca continues doing the job.

**He neither sings nor dances nor acts, but cartoonist Charles M. Schulz, creator of *Peanuts,* entertains people everywhere. Estimated earnings in 1987: $30 million.**

**FORBES thought CBS made $50 million on *Thriller,* Michael Jackson's album on CBS' Epic label. William Paley, the venerable CBS chairman, smiled and said: "You're low, way low."**

The entertainment business is creating wealth for the nation as well as for the entertainers and the people they work with. Ask yourself: In America's perilous trade situation, what merchandise remains among our big earners?

Computers? Computers are only thirteenth among our earners, with a net positive trade balance last year of $2.1 billion. Soybeans? In third place, with $4.6 billion. Coal? Fourth, with $3.9 billion.

Numbers one and two?

Aircraft, thanks largely to Boeing and the defense industry, is number one, with a trade surplus of $10.8 billion. But in second place and rising fast is entertainment, which earned us a $4.9 billion surplus last year and may do $5.5 billion this year. Broken down, exports of television programming will net the U.S. $500 million; motion pictures, $1.2 billion; videocassette recordings, $1.8 billion; music recordings, $1.4 billion.

Lament if you will the decline of such once mighty export industries as autos and machine tools, but the fact is that our postindustrial society is depending increasingly on postindustrial goods. Not surprising. Since more leisure time is one of the dividends that prosperity brings, the demand for entertainment goods naturally grows. The creation of products to fill that demand creates wealth.

Says Lee Rich, chairman of MGM/UA Communications: "Entertainment is probably our least recognized export, but foreign sales are coming on strong. In a very short time, foreign will be at least 50% of a picture's revenues."

As France, Italy and other countries permit commercial networks to compete with state-owned broadcasting monopolies, the value of American TV shows abroad has risen astronomically.

Chuckles Merv Griffin: "France was the great breakthrough. *Wheel of Fortune* is number one there." So much for the superiority of French culture. He adds: "Merchandising *Wheel* and *Jeopardy* [in Europe] is almost as valuable as the shows."

Warner Communications Inc. Chairman Steve Ross tells FORBES that his company has tripled sales of movies and quadrupled sales of records, tapes and compact disks in Japan in the last five years.

Though he neither sings nor dances nor acts, cartoonist Charles M. Schulz, creator of *Peanuts*, entertains tens of millions of people—a good portion of them foreigners. In Japan products bearing the likenesses of Schulz creations amounted to $350 million last year, at least ten times as much business as General Motors did there. Japan's Sanwa Bank offers a "Snoopy cash card," and Japanese schoolgirls hold up their bobby socks with adhesive from a Snoopy roll-on tube.

Not surprisingly, stars and their agents have become adept at milking their appeal for as much as they can get. Studio bosses who control a star for life and agents who take up to 50% of a star's income are mostly ancient history. Says Cosby: "It's not a matter of Colonel Tom Parker and Elvis anymore." Parker, of course, is the legendary promoter who controlled Presley's career and kept at least half of Presley's gross for himself.

Few stars are as big as Bill Cosby, and a FORBES rundown of his income sources gives an idea of how the star's charisma is marketed.

- Books: *Fatherhood* sold 2.6 million hardcover, equaling *Iacocca*'s enormous hardcover sales, and 2.5 million in paperback. *Time Flies* comes out this month with a first printing of 1.75 million hardcover. Book royalties for 1986-87: $12 million.
- Commercials for E.F. Hutton, JELL-O, Kodak: $7 million.
- Concerts: 34 shows in 1986, $4.5 million; 13 shows in 1987, $1.7 million. Total: $6.2 million.
- Casino nightclubs: 129 shows in 1986, $6.45 million; 77 in 1987, $3.85 million. Total: $10.3 million.
- Movies: *Leonard: Part VI*, $5 million (not including future profits).
- Records and videos: $1 million.
- *The Cosby Show*: Salary, $250,000 per episode—$7 million per year. Syndication: $28 million in 1987.

Make no mistake—Bill Cosby works hard for his prosperity.

After Cosby, Eddie Murphy and Sylvester Stallone are also champion money-getters. Stallone was the number one earner in 1986, with nearly

## Box office bite

Ever since Rin Tin Tin's first film, *Where the North Begins*, rescued Warner Brothers from obscurity in 1923, it has paid to be the top dog in Hollywood. Rinty romped through 18 other features, sported diamond-studded collars and earned $1,000 a week in the days when you could buy a decent car for $600.

Benji, a shaggy little brown mongrel bitch, is Hollywood's number one hound today, grossing $17 million during the first 24 days of *Benji the Hunted*. Joe Camp, the writer-director-producer who made the film for $4.5 million, says proudly, "We can make ten *Benji*s for one *Ishtar*."

Frank Inn, his owner-trainer, will not reveal Benji's net income, but it could approach $1 million for 1986-87. Benji's gross is funneled through Joe Camp's Dallas-based Mulberry Square Productions, which FORBES estimates has netted at least $15 million on the $100 million gross from the mongrel's three previous films, television specials and personal appearances.

Nipping at Benji's heels is Mike the Dog, who was such a smash in Disney's 1986 film *Down and Out in Beverly Hills* that he's got his own spinoff TV show on the Fox Network. The Scottish border collie had some "insecurities" about working on a TV show at first, says Mike's owner-trainer, Clint Rowe. But what else could one expect from a California pooch with a diet of brown rice and vegetables simmered in an electric pot? Mike began in chewing gum and mustard commercials for $100 a day five years ago. In the last two years he has netted Rowe about $250,000. For personal appearances, booked through the same agent who handled Marvelous Marvin Hagler, Mike now knocks down a $10,000 fee.

Also jumping from commercials to movies is Spuds MacKenzie, the transvestite terrier who masquerades in sunglasses and Hawaiian shirts as a male "party animal" for Anheuser-Busch's Bud Light beer. (The brewery won't confirm reports that Spuds is pregnant.) The English bull terrier costars with comedian Martin Mull and the late Dick Shawn in *Rented Lips*, an upcoming spoof on filmmaking. Bud Light's Spuds merchandise includes posters, T shirts, beach towels and plush toys.

Remember Lassie? The collie starred in seven movies for MGM from 1943 to 1951, but MGM's faith in man's best friend waned after World War II. In 1951 Lassie's owner-trainer Rudd Weatherwax tried to collect $17,500 the studio owed his dog. An MGM functionary settled the debt by surrendering rights to Lassie's name. Recalls Rudd's son Bob: "The guy must have gotten fired for that."

The boner cost MGM millions. Lassie's syndicators made a fortune and paid the Weatherwaxes more than $1 million starting in 1954, when CBS' *Lassie* began its 19-year run, third longest of any dramatic series in TV history. Lassie's salary was about $100,000 a year in the 1960s. Bob Weatherwax now is pitching for a new show starring the seventh Lassie.

Predicts Kitty Brown, the aptly named editor of *Animal Entertainment*, a trade publication that's based in New York City: "Before long, the animals will have their own union."—**J.Z. and A.D.F.**

## The top 40

**FORBES estimates entertainment's biggest earners. Perspective: Median compensation of 800 leading corporate executives in 1986 was $706,000.**

| Rank | Star/age/occupation | Gross income 1986 ($mil) | Gross income 1987* ($mil) | Two-year total ($mil) |
|---|---|---|---|---|
| 1 | **William H. Cosby Jr.**/50/*actor, comedian, author* | $27 | $57 | $84 |
| 2 | **Sylvester Stallone**/41/*actor, writer* | 53 | 21 | 74 |
| 3 | **Bruce Springsteen**/37/*rock singer* | 29 | 27 | 56 |
| 4 | **Charles M. Schulz**/64/*cartoonist (Peanuts)* | 25 | 30 | 55 |
| 5 | **Eddie Murphy**/26/*comedian, actor* | 23 | 27 | 50 |
| 6 | **Steven Spielberg**/39/*movie producer, director* | 27 | 23 | 50 |
| 7 | **Madonna (Louise Ciccone)**/29/*rock singer* | 21 | 26 | 47 |
| 8 | **Whitney Houston**/24/*pop singer* | 20 | 24 | 44 |
| 9 | **Michael Jackson**/29/*pop singer* | 12 | 31 | 43 |
| 10 | **Johnny Carson**/61/*TV host, producer* | 20 | 20 | 40 |
| 11 | **U2**/*rock group (4 members)* | 8 | 29 | 37 |
| 12 | **ZZ Top**/*rock group (3 members)* | 26 | 5 | 31 |
| 13 | **Jim Davis**/42/*cartoonist (Garfield)* | 15 | 16 | 31 |
| 14 | **Bon Jovi**/*rock group (5 members)* | 10 | 19 | 29 |
| 15 | **Arnold Schwarzenegger**/40/*actor* | 8 | 18 | 26 |
| 16 | **Kenny Rogers**/48/*country singer* | 10 | 16 | 26 |
| 17 | **Van Halen**/*rock group (4 members)* | 22 | 3 | 25 |
| 18 | **Wayne Newton**/45/*pop singer* | 12† | 12 | 24 |
| 19 | **Neil Diamond**/46/*pop singer* | 13 | 11 | 24 |
| 20 | **Prince (Rogers Nelson)**/29/*rock singer* | 15 | 8 | 23 |
| 21 | **Billy Joel**/38/*rock singer* | 11 | 12 | 23 |
| 22 | **Stephen King**/40/*novelist, screenwriter* | 6 | 15 | 21 |
| 23 | **Paul Hogan**/45/*movie actor* | 10 | 10 | 20 |
| 24 | **Paul McCartney**/45/*singer, composer* | 8 | 10 | 18 |
| 25 | **Tom Selleck**/42/*TV and movie actor* | 7 | 11 | 18 |
| 26 | **Bruce Willis**/32/*TV and movie actor* | 9 | 8 | 17 |
| 27 | **Michael J. Fox**/26/*TV and movie actor* | 8 | 9 | 17 |
| 28 | **Willie Nelson**/54/*country singer* | 8 | 9 | 17 |
| 29 | **Jack Nicholson**/50/*movie actor* | 5 | 11 | 16 |
| 30 | **Tom Cruise**/25/*movie actor* | 5 | 11 | 16 |
| 31 | **Phil Donahue**/51/*TV host, producer* | 8 | 8 | 16 |
| 32 | **Marvelous Marvin Hagler**/33/*boxer* | 3 | 13 | 16 |
| 33 | **Steve Martin**/42/*comedian, actor* | 5 | 10 | 15 |
| 34 | **Sugar Ray Leonard**/31/*boxer* | 1 | 13 | 14 |
| 35 | **Mike Tyson**/21/*boxer* | 3 | 10 | 13 |
| 36 | **Jane Fonda**/49/*actress, exercise maven* | 8 | 5 | 13 |
| 37 | **Julio Iglesias**/43/*pop singer* | 9 | 4 | 13 |
| 38 | **Phil Collins**/36/*rock singer* | 6 | 6 | 12 |
| 39 | **Barbra Streisand**/45/*singer, actress* | 6 | 5 | 11 |
| 40 | **Oprah Winfrey**/33/*TV host, producer* | 2 | 8 | 10 |

*FORBES projections. †Awarded $19 million libel judgment from NBC in 1986; has not collected pending appeal. *Sources include: Record, film and television executives;* Amusement Business; Video Marketing Newsletter; Variety.

$53 million. He set the current high-water mark for "upfront money" by winning a $16 million guarantee for his next picture, the oft-delayed *Rambo III.* From licensing of Rambo items alone, Stallone netted $6 million, and next year may even make a few cents from Rambo cologne.

Eddie Murphy's *Beverly Hills Cop* proved he is Hollywood's biggest star when it ran for more than a year after opening at Christmas 1984. Think of his gunshot laugh—like the image of Charlie Chaplin—as one of the few trademarks that need no translation in any of the world's 163 principal languages. Though the best guess is that Murphy got only $8 million in advance for playing detective Axel Foley in *Beverly Hills Cop II,* FORBES estimates Murphy's share of the profits will ultimately top $15 million.

Charles Schulz is right up there with the top entertainers—though he creates stars rather than is one. FORBES calculates that Schulz will earn $30 million this year from his wry merriment, which sells more than $1 billion in products worldwide and appears in syndicated newspaper cartoons in 26 languages and 68 countries. Schulz' TV specials, like *A Charlie Brown Christmas,* are perennials in most English-speaking lands.

If there's anything American more popular in Japan than Snoopy, it's American rock stars. Madonna, the incandescent rocker, created tumult on her Japanese tour last June when a monsoon rain forced cancelation of a concert in Tokyo for 40,000 fans. Disappointed teenyboppers, who had paid $35 or more apiece, rushed police and security guards. But not even Madonna can make a miracle every time. Her latest movie, *Who's That Girl,* has been roasted by critics and ignored by moviegoers, though the sound track is selling briskly.

Although relatively quiet so far this year, Bruce Springsteen and Michael Jackson are megarich. In 1984, when the Jackson family's "Victory" tour played at 19 stadiums and the *Victory* album sold a disappointing 2 million copies, Michael Jackson's earnings topped $50 million. Springsteen's 1984-85 concert tour and his album *Born in the U.S.A.* generated more than $50 million. His live 5-record collection came out in late 1986 and sold more than 5 million sets. FORBES estimates that Jackson, with a new album—*Bad*—just out and a world tour scheduled to begin in Japan this month, will earn $31 million this year, mostly in the last quarter. That's a big jump from the $12 million he pulled in last year, but only because in

1986 he neither toured nor released an album.

Michael Jackson's little sister, Janet, has sold nearly 5 million albums on A&M Records. Asked why CBS missed signing her, CBS/Records Group President Walter Yetnikoff shrugs: "Because we were schmucks, that's why."

Arista Records didn't miss any chances with Whitney Houston. This relative newcomer was brilliantly packaged. Top songwriters and producers were put on her case by Arista when she cut her first album in 1985. The gorgeous 24-year-old, boosted by plays of her videos on music cable channels MTV and VH-1, in two years has earned more than $40 million on two albums and her concert tours.

Unlike most sports figures, who are essentially hired hands, entertainers build far more wealth than their annual earnings alone suggest. Joe Namath, for example, built no equity on his past glories in pro football. Sugar Ray Leonard makes our Top 40 list because he made a bundle taking Marvelous Marvin Hagler's middleweight title last April *(opposite)*. But that was it. The residual value of, say, a prizefight replay is minimal. Entertainers and songwriters, in contrast, create fat annuities for themselves with every hit. "Artists who own their record masters and relicense them are building a capital asset tax-free," explains John Eastman, an eminent entertainment lawyer who administers the music publishing companies owned by his brother-in-law, Beatle Paul McCartney. McCartney's take in 1987 from his control over more than 5,000 lucrative copyrights will top $5 million. McCartney makes another $5 million or so annually from his 25% share of Beatles recording royalties, currently the subject of several lawsuits against Capitol Industries-EMI. All this without doing a lick of new work.

Television talk show host Oprah Winfrey tells FORBES she made her first million only last year when King World sold her show nationally. But that $1 million wasn't the whole story. Her stake in the show should generate $8 million this year.

**Julio Iglesias *(left)*: "To sell music to Americans I had to know the way they laugh, the way they cry." He just cut a duet with Stevie Wonder and will earn $4 million this year.**

Earle Hagen wrote the theme for *I Spy*, the 1960s series that costarred Bill Cosby and Robert Culp. Hagen, composer of scores for 3,000 TV episodes, including the whistling theme of *The Andy Griffith Show*, collects more than $300,000 a year in royalties and need never work again.

Clearly, stardom is immensely rewarding. Problem is, there are no formulas and no schools that teach one to be a star. There is absolutely no way to know which stories will click, which songs will click, which personalities will click. Only two of five major films and barely one in five records or television series recover costs. Even fewer TV shows last 75 episodes or more, enough to go profitably into syndication. "This is amateur sport. The next knock on the door could be Elvis Presley," says Jerry Moss, chairman of privately held A&M Records.

"How do you know what idea is good and what isn't?" asks actor/business agent Wayne Rogers. "Suppose a guy comes into your office and says, 'I've got this great musical about Jesus Christ.' You'd lock him up. The guy comes back later and says, 'I've got this musical about Eva Peron.' Then a third time he comes back: 'You remember that little book T.S. Eliot wrote about cats?' Well, hundreds of millions later, that's Andrew Lloyd Webber [the creator of *Jesus Christ Superstar*, *Evita* and *Cats*]. No idea is sacrosanct."

For the present at least, Americans have an unchallenged lead in the ability to pick the stories and the stars and the tunes that will tickle popular fancy throughout the world. Few people remember the BBC's *Till Death Us Do Part*. When producer Norman Lear added the American touch to the premise of that British series, he came up with *All in the Family*. Syndication revenue from Archie Bunker laid the foundation for Lear to build a $225 million fortune, enough to place him on The FORBES Four Hundred last year and pay his wife a reported $112 million divorce settlement.

On Broadway, British theater is big, but that's uppercrust stuff and penny-ante (5 of 19 current shows are British imports, but profits repatriated to London amount to less than $5 million annually). Those BBC shows shown on American public TV don't even send home $50 million a year.

What is the American touch that reaches people all over the world? Ask Julio Iglesias, the Spanish-born attorney

**"I like to see my empire grow," says Sugar Ray Leonard *(left)*, who made $12 million from his title win over Marvelous Marvin Hagler, who earned $13 million.**

turned crooner who has recorded 58 albums and sold 115 million worldwide. His response: "In America the music has a beat, a phrasing and a character that is popular all over the world today. Music has to be in English to sell all over the world."

Iglesias goes on: "To sell music to Americans I had to know the way they laugh, the way they cry, the way they enjoy music, the way they pull the music together and how they react to that music." Once he had that, Iglesias had the technique to appeal to people everywhere.

The entire outside world manages to export less than $400 million worth of recorded music and feature films to the U.S. One foreign film did make it big here, but only because Hollywood repackaged it. That's *Crocodile Dundee*, the Australian sleeper distributed here by Paramount and overseas by Twentieth Century Fox. Paramount paid $4 million, marketed it brilliantly and creamed more than $20 million off the top of the film's $175 million North American box office gross. (In the works: Croc II.)

Entertainment as wealth? The concept is hard to grasp in a practical nation, but it is the way the world is moving. Entertainment is intellectual property, just like computer software or patented pharmaceuticals. Michael Eisner, chairman of The Walt Disney Co., reminds us: "In Taiwan, South Korea and Tokyo, what makes their consumer electronics hardware move is mostly American product, American stars, American movies." They create the hardware, we the software. And what is wrong with that?

"Basically, in entertainment we export the English language and the American idiom of political and economic freedom," says Gordon Stulberg, president of PolyGram Pictures.

Stulberg's statement explains an apparent paradox. Why is it that in so many nations whose political and intellectual leaders pour venom on America, the ordinary citizens can't get enough of American entertainment and American fads? Is it possible that entertainers like Eddie Murphy and Bruce Springsteen better understand what ordinary people want than dictators like Fidel Castro and Mikhail Gorbachev do? ■

### Bill Cosby on the market

Stars are no longer patsies for fast-talking agents and suckers for bad investments. Oprah Winfrey, the Chicago talk show host, became an instant multimillionaire last year when her program became a nationally syndicated smash. "Bill Cosby gave me great fatherly advice," says Winfrey. "Bill told me to sign every check."

Why? "We learned that after we gave away about $3 million early in our career," Cosby tells FORBES. "Then we regrouped, my wife [Camille] and I, and now—believe it or not—we mom-and-pop our business."

While Cosby relaxes every summer at the Hôtel du Cap at Antibes in the south of France, some of his money is handled by E.F. Hutton, for which he has been the television pitchman. "If I'm talking about what they're doing, I have to give them the opportunity to wheel and deal and work with the money," says Cosby.

Cosby is serious about money, but when he talks about it he can't resist angling for a laugh. We ask how he's doing in the market. Cosby does a little skit:

"The portfolio's doing fine, but, as you well know, when you get into the stock market or whatever it is you're playing, these guys move your money. And it depends on who they decide to save on a particular Wednesday.

"What is it we're playing? You sit down, you say, 'Gentlemen, is the pot right? Right. Deal the cards. All right, who's drowning? Larry's drowning. All right, everybody chip in $25 to save Larry. Wait, Bill, you're up too high. You don't mind coming down a little to save Roy. . . .' "—A.D.F.

*For Hollywood stars, lavish consumption maintains the image. Too much glitter is not enough.*

# How they spend, how they invest

Besides piling it up, what do the great entertainers do with their cash? Live it up, of course, both for the pleasure of it and because the fans expect it. How do they invest? Generally, quite conservatively.

Steven Spielberg, the creative force behind five of the ten highest-grossing films of all time, is already worth, FORBES estimates, $200 million. Within the last few years Spielberg has begun spending: buying singer Bobby Vinton's old house in Pacific Palisades, a Malibu beach house, a "cottage" in East Hampton on New York's Long Island and a Trump Tower apartment in Manhattan. He also plunked down a cool $60,500 for the "Rosebud" sled from Orson Welles' *Citizen Kane*.

Joe Smith, president and chief executive of Capitol Industries-EMI Inc. in Hollywood, says: "In this town the big house is mandatory, the screening room is mandatory, the cars are mandatory, the house at the beach is mandatory, the Lakers tickets." Beyond that? Beyond that, what counts is current success—and power.

Says Smith: "At Morton's, Citrus, Spago, La Scala at the beach, it's not money but power that gets you into the right room. At all these trendy restaurants, they read the trade papers like crazy. The moment I'm in the paper, everybody knows it. You walk in to a lot of bowing and scraping." Smith's favorite hobby is his 8,000-bottle wine cellar.

In Hollywood lavish consumption is not merely sybaritic. It is regarded as overhead for image maintenance. Remember, the stars are selling us fantasies. It doesn't enhance an entertainer's image to drive a pickup truck around Bentonville, Ark. the way it helps billionaire Sam Walton.

Johnny Carson lavishes money on

## Numbers Game

*Are Japanese banks undercapitalized? That depends on how you count those unrealized stock market gains.*

# On thin ice

**By Laura Jereski**

IF YOUR BROKER calls with an offer to get in on a juicy new Japanese bank stock deal, don't be surprised. The major banks of Japan are in the midst of an unprecedented drive to raise new capital. By the end of this year they expect to have sold an astounding $10 billion (1.4 trillion yen) in new stock and other securities, available to U.S. investors either through convertible bonds or purchases directly on the Tokyo stock exchange.

But what could the banking leviathans of Japan, presumably already bursting with funds, possibly want with even more money? The short and blunt answer is that they are bowing to foreign pressure. The money raising comes in response to demands from Washington and London that Japanese banks beef up their capital-to-asset ratios. The foreigners are peeved that the Japanese banks can do business on what looks like much thinner capital bases than they can. It strikes the foreign banks as unfair competition.

Japan's banks are indeed undercapitalized by Western accounting standards, having on balance no more than about $3 of capital for every $100 of loans outstanding. This capital-to-asset ratio is nearly half that prevailing for rival U.S. and U.K. banks. In theory, British and U.S. banks are about twice as well equipped as their Japanese competitors to ride out a severe economic contraction.

For more than two years now, the Federal Reserve and the Bank of England have thus been pressuring Japanese banks to raise enough fresh capital to boost their ratios to Western levels. Yet, just as dogmatically, the Japanese have resisted, arguing that the capital/asset ratios on their balance sheets do not present a complete picture of just how strong their banks really are.

Japanese bankers have long contended that their industry's real strength resides in vast "hidden reserves" created by the fantastic rise in Japanese stock prices over the last two decades. Unlike many U.S. banks, Japanese banks are allowed to invest in corporate stocks as well as other securities. From an accounting point of view, these investments are treated as assets of the bank.

The big plus for the banks comes when stock prices rise. Since Japanese banks don't mark their stockholdings to market, the higher stock prices go, the greater the reserves hidden on Japanese bank balance sheets. For example, the stock portfolios of Tokyo's five largest city banks have a potentially realizable market value of close to $26 billion but a book value of only about $6 billion.

This kind of "pretend it's not there" accounting has suited Japanese bankers fine. Whenever a Japanese bank found itself in an unexpected earnings downdraft, all the banker had to do was dip into those hidden reserves and sell off a bit of the portfolio. That would instantly produce a fresh infusion of income without appearing to reduce bank capital at all. Now you don't see it, now you do.

And now this submerged treasure is being forced to the surface. To bring their ratios into line with U.S. and British standards, Japanese banks collectively would need at least $70 billion in new capital. The only alternative: start including those hidden portfolio gains when calculating bank capital.

But anyone acquainted with the bloated prices on the Tokyo stock exchange (FORBES, *May 18*) would shudder at counting all this market value as bank capital. So regulators have been working on a compromise. The objective: to find a mix of new capital and unrealized market gains that brings Japanese capital ratios to an acceptable level.

The result, which the Bank for International Settlements is expected to announce before the end of this month: a formula allowing banks to book up to 25% of unrealized portfolio gains. This would add over $50 billion to bank capital and still leave a nice cushion in case of a big drop in Tokyo stocks. Only $10 billion will be raised in the form of fresh equity and convertible bonds. A bit scary, no? ■

### Fair trade?

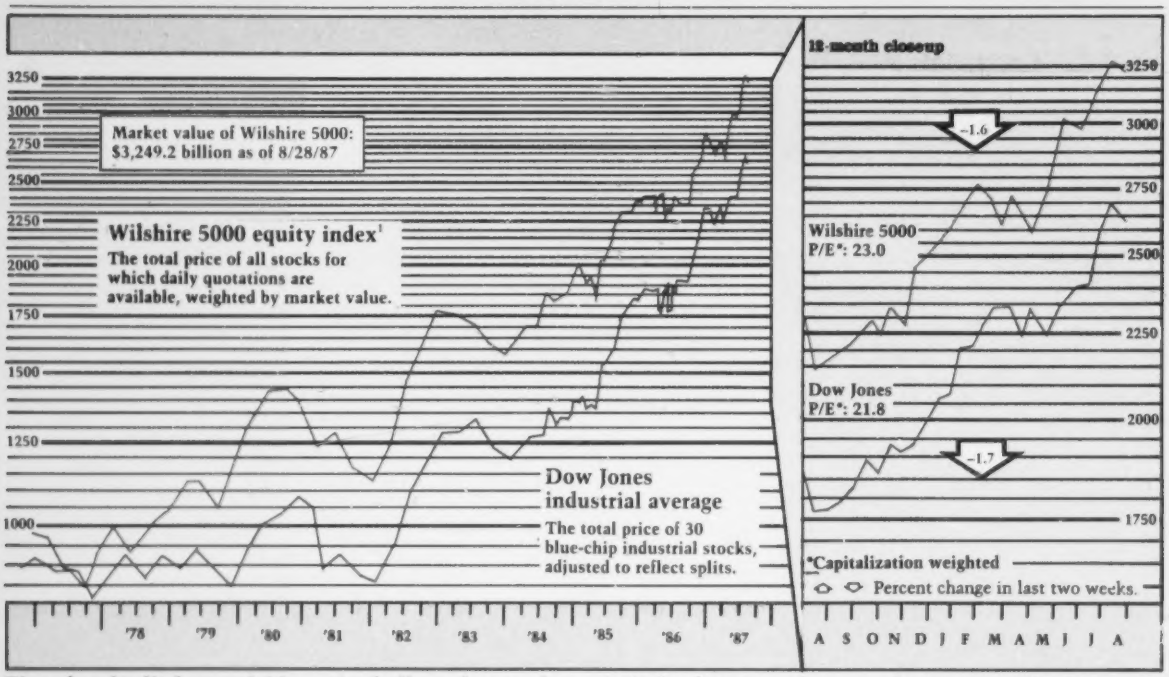
**The major Japanese banks are raising over $10 billion. In exchange, U.S. and U.K. regulators will let them count as capital a portion of their unrealized stock market gains. Below, how the compromise will affect capital ratios at some of the largest Japanese banks, ranked by size.**

| Bank | Current capital ratio | Public offering ($mil) | Capital boost from partial portfolio gains ($mil) | New capital ratio |
|---|---|---|---|---|
| **CITY** | | | | |
| Dai-Ichi Kangyo | 2.87% | $915 | $6,699 | 5.65% |
| Sumitomo | 3.11 | 521 | 4,987 | 5.47 |
| Fuji | 3.31 | 845 | 5,450 | 5.94 |
| Mitsubishi | 3.22 | 1,232 | 6,643 | 6.68 |
| Sanwa | 3.02 | 1,268 | 4,921 | 5.86 |
| **TRUST** | | | | |
| Mitsubishi T&B | 3.81 | 423 | 3,261 | 8.70 |
| Sumitomo T&B | 3.74 | 352 | 2,564 | 7.70 |
| Mitsui T&B | 3.44 | 282 | 3,013 | 8.46 |
| Yasuda T&B | 3.20 | 352 | 2,342 | 7.92 |

*Sources: Salomon Brothers; Forbes estimates.*

# The Forbes/Wilshire 5000 Review

Edited by Steve Kichen




**Time for the little guys?** No major bull market in this century has died without the smaller-capitalization stocks' having their day in the sun. Since the rally began five years ago, the 30 big-capitalization companies that compose the Dow Jones industrials have climbed 240%, while over-the-counter issues have climbed only 184%. During the last 52 weeks the Dow has outperformed Nasdaq better than 2-to-1. But over the last 4 weeks o-t-c issues have gained ground, going up 4.2%, compared with 2.6% for the Dow. Also, over the last ten trading days only the o-t-c market escaped without a loss, inching up 0.4%. While the Dow slipped 1.7%, all the broader market averages also fell. The NYSE dropped 2%, the Wilshire 5,000 1.6% and the Amex 1.1%.

O-t-c issues that gained at least 10% during the last 2 weeks include Microsoft, a software designer; LyphoMed, a micronutrient maker; and Shared Medical Systems, a provider of data processing services to hospitals.

## Closeup On the Equity Markets

**Performance of six leading indexes**

| Percent change | Wilshire 5000 | Forbes 500[2] | Dow Jones industrials | NYSE Composite | Amex Market Value Index | NASDAQ Composite |
|---|---|---|---|---|---|---|
| in last 4 weeks | 2.8 | 2.9 | 2.6 | 2.4 | 0.5 | 4.2 |
| in last 52 weeks | 25.4 | 25.8 | 39.0 | 25.9 | 31.4 | 18.4 |

**Stock performance based on six key investor yardsticks**

| Percent change | Company size | | Volatility[3] | | P/E multiple | | Dividend yield | | Growth profile[4] | | Share price | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | large | small | high | low | over 25 | under 5 | over 7.5% | none | high | low | over $40 | under $4 |
| in last 4 weeks | 3.0 | 1.5 | 1.1 | 1.8 | 2.6 | 2.6 | 1.6 | 1.8 | 2.1 | 2.2 | 3.2 | 0.0 |
| in last 52 weeks | 26.5 | 46.6 | 70.0 | 20.7 | 28.7 | 15.9 | 7.9 | 61.5 | 65.2 | 17.0 | 23.6 | 39.0 |

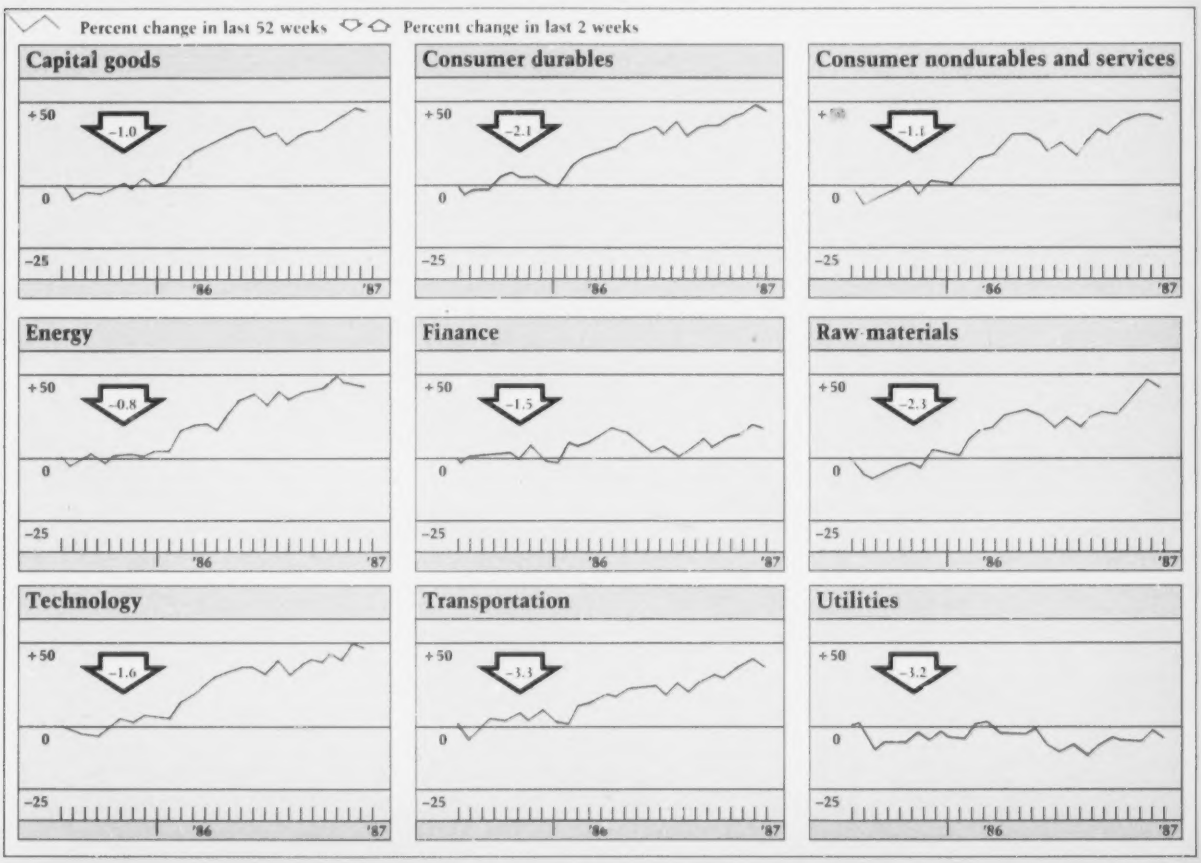
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 8/28/87. Prepared by Wilshire Associates, Santa Monica, Calif.

Gus French

# Where the Action Is

**Bad news everywhere.** None of the nine Wilshire sectors escaped unscathed, as the Wilshire index fell 1.6% during the last ten trading days. The worst-performing groups were the transportation and utility sectors, both dropping twice as fast as the market. Airlines—feeling the effects of consolidation, labor problems and the recent Detroit crash—weighed down the transportation group. Texas Air, NWA and AMR fell 7% or more. Kansas Gas & Electric, off 15%, and Kansas City Power & Light, down 7%, were the hardest-hit utilities. In other sectors: Raw materials and consumer durables each declined over 2%; the technology and finance sectors duplicated the market; while consumer nondurables, capital goods and energy were off 1.1% or less.




# What the Analysts Think

**Estimates shrink.** Analysts trimmed this year's earnings projections for six of the nine Wilshire sectors during the last two weeks. These cuts leave only two sectors, utilities and consumer durables, selling for estimated 1987 P/Es under that of The Forbes Sales 500, which has an average multiple of 17 times expected 1987 earnings.

**Forecasting the Forbes Sales 500**

| Performance period | Average earnings per share | P/E |
|---|---|---|
| latest 12 months | $2.30 | 21.8 |
| 1987 estimates | 2.98 | 16.8 |
| 1988 estimates | 3.85 | 13.0 |

| Rank based on change in estimate | Sector | Estimated 1987 EPS | Estimated 1987 P/E | % change in 1987 estimate in 2 weeks | % change in 1987 estimate in 4 weeks |
|---|---|---|---|---|---|
| 1 | Consumer durables | $4.24 | 14.1 | 0.58% | 2.62% |
| 2 | Energy | 2.57 | 19.1 | 0.32 | –0.16 |
| 3 | Raw materials | 2.27 | 18.5 | 0.08 | –0.07 |
| 4 | Capital goods | 2.16 | 21.1 | –0.16 | –0.11 |
| 5 | Utilities | 2.61 | 10.9 | –0.23 | –0.11 |
| 6 | Technology | 2.43 | 18.7 | –0.37 | –0.32 |
| 7 | Transportation | 2.21 | 17.0 | –0.88 | –2.08 |
| 8 | Consumer nondurables | 2.25 | 19.5 | –2.00 | –1.80 |
| 9 | Finance | 1.88 | 18.6 | –2.65 | –13.39 |

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York based brokerage firm.

Note: All data for periods ending 8/28/87. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.

*The more you pay, the more you get. That's true in a lot of things, but it doesn't necessarily apply to investment advice.*

# The privilege of paying more

By John R. Hayes

YOU'RE RICH. You make $900,000 a year. You don't want to be putting your money in with a lot of $2,000 IRAs from schoolteachers. You want special treatment, and you are willing to pay for it.

The fund industry is ready to accommodate. Not counting money markets, at least two dozen funds are available with unusually high minimum investments—defined here as $25,000 or more. Some will return any check under $250,000.

And what do special people like you get? As often as not, mediocre performance and high overhead. Logically, a high minimum ought to keep expenses down—it's costly to service a lot of small accounts. In fact, the rich often don't get any bargain on expenses *(see table)*. Nor does a $1 million stake guarantee you better portfolio results than the schoolteacher gets with a $5,000 stake.

It does guarantee you some ego-stroking, if that's what you need. For example, if you put down the requisite $100,000 in the Gintel Fund, you received an invitation to a reception at Robert Gintel's Greenwich, Conn. home on Sept. 12. The menu wasn't available at press time, but previous social hours featured lobster and filet mignon. A good crowd was expected.

Gintel sends shareholders details of the fund's performance in friendly monthly letters rather than formal quarterly reports. And since the fund has only 1,034 shareholders and a $150 million cap (assets so far, $126 million), there's a good chance you'll get to know Bob on a first-name basis.

But do you really want to get to know Bob? In the 12 months to July 31, Gintel was up 18.6%, compared with 39.3% for the S&P 500. One year does not a record make, but the point remains: Being rich doesn't get you special performance.

One reason performance isn't better is that the expense ratio is no bargain. The fund started when investment adviser Gintel turned several hundred individual accounts he managed into one mutual fund. In doing so, Gintel retained his 1% management fee, as compared with the more normal ¾%. Management offers the reassurance that it owns 20% of the fund. In the words of Alexander Robinson, marketing vice president, "If Gintel and Robinson pay a 1% annual management fee along with our shareholders, it can't be that bad."

Gintel turn you off? Try the Clipper Fund (minimum, $25,000), run by pension manager Pacific Financial Research. If you have a trust that requires elaborate distributions of principal and interest, President James Gipson will be glad to help—that's the least he can do to earn his above-average 1.28% expense ratio.

"Obviously, we have incurred some additional personnel costs to provide the level of service that we do," says Gipson.

Not all high-minimum funds are for the carriage trade. Vanguard has several aimed at institutions like pension funds and endowments. Individuals can join, too, but they don't get any special hand-holding, just the fairly lean operation and low expense ratios typical of the Vanguard fund family.

One group of funds is so exclusive that it doesn't even want its name listed alongside the riffraff: Morgan Stanley's Pierpont funds, which have a $25,000 minimum. Unusual for a fund sponsor, Morgan doesn't release daily net asset value figures for publication in daily newspapers. Why the standoffishness? "We are not at liberty to speak to the press. Our policy is to maintain exclusivity," says a Morgan staffer.

The rich can afford to pay more than other folks can, but there's no guarantee they get their money's worth. Look at the FORBES honor roll of the best-performing funds *(Sept. 7)*. Some of these funds are quite happy to take as little as $250, yet are run more efficiently than a lot of the $25,000-minimum funds. ■

**What's so special?**

**The most exclusive funds—the ones with the highest minimums—are not necessarily the best in either performance or efficiency.**

| Fund | Assets 6/87 (millions) | Minimum investment (thousands) | Annual expense ratio[1] | Total return last 12 mos |
|---|---|---|---|---|
| Clipper Fund | $90 | $25 | 1.28% | 21.5% |
| Gintel Fund | 121 | 100 | 1.28 | 18.6 |
| Mutual Beacon Fund | 113 | 50 | 1.20 | 38.2 |
| Pierpont Tax Exempt Bond Fund | 200 | 25 | 0.80 | —[2] |
| Trustees' Commingled Intl Equity | 814 | 25 | 0.52 | 59.5 |
| Vanguard PrimeCap Fund | 236 | 25 | 0.82 | 28.6 |
| Warburg International Fund | 8 | 25 | 1.54[3] | 30.6 |
| WPG Growth Fund | 153 | 250 | 1.13 | 34.0 |
| S&P 500 | | | | 39.3 |

[1]Annual expenses divided by average net assets. [2]Fund does not disclose this information.
[3]Net of partial absorption of expenses by fund sponsor.

*Source (performance data): Lipper Analytical Services*